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Organic Products

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Report Highlights: Taiwan is seeing strong growth in its demand for certified organic products. The US\$49 million in organic products estimated to have been consumed in 2003 represents a 75% increase over 1999 consumption levels. The relatively small level of per capita consumption indicates significant room for upward growth still. Taiwan is tightening certification restrictions on domestically-produced organic products which should help solidify consumer confidence in organics and accelerate consumer trends favoring organic products.

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SECTION 1. SUMMARY

Organic food products are enjoying a growing demand in Taiwan, fueled by comparatively high income levels and prevalent concerns regarding the safety and healthfulness of foods. Formal statistics on organic foods sales are not kept. A report published recently by the Ministry of Economic Affairs (MOEA) estimates Taiwan consumers purchased US\$49 million worth of organic food in 2002, a 75 percent increase over the US\$28 million estimated to have been purchased in 1999.

The relatively small per capita consumption of organic products in Taiwan (as compared with markets such as Japan and the U.S., which Taiwan frequently follows) bodes well for continuing healthy growth in demand into the future.

It is estimated that Taiwan's current organic demand is met by domestic and imported products in a roughly 2:3 ratio (by value). The majority of domestic organic foods is sold as fresh produce, while most imported organic products arrive in processed formats.

Taiwan's Council of Agriculture (COA), recognizing the inadequacy of previous domestic guidelines for organic farming and certification, as defined under the island's National Organic Standard, announced revisions to that Standard on 15 September 2003. These revisions incorporated certain international organic standards as well as more restrictive guidelines for domestic organic farmers. Active government involvement to clarify and police the use of organic claims and labels is targeted to earn greater credibility among consumers for domestically-raised certified organic products and accelerate organic sales.

The organic product sales channel is fragmented, comprising an estimated 800 specialty retail venues, including specialty health food, organic and specialty shops; home delivery services; and organic food sections in premium supermarkets.

Major international suppliers to the Taiwan organic products market include Germany, the United States, France, Australia and Italy. Major domestic organic product categories include rice, tea, fruits, and green vegetables. Taiwan relies on imports for all (or nearly all) of its purchases of organically produced nuts, dried fruits, juices, cooking oils, seeds, beans, grains, and food supplements.

Advantages and Challenges for U.S. Organic Suppliers in the Taiwan Market

Advantages	Challenges
Domestic organic production conducted only on a small scale.	Mainstream Taiwan consumers remain highly cost focused.
Rising demand for high quality organic products.	Consumers lack basis by which to adjudge organic certification claim validity.
Relatively limited international competition	European products currently enjoy most

for domestic market demand.	acceptance and market share due to positive image.
Consumers lack confidence in Taiwan-manufactured “certified organic” products.	Consumers in Taiwan are largely unaware of U.S. organic certifications / standards.
Pool of consumers loyal to (and willing to pay a premium for) organic is increasing.	

SECTION II. REGULATIONS AND POLICIES

Organic Farming

The island of Taiwan has a subtropical climate, generally warm and well-watered throughout much of the year. Historical over-farming, overuse of chemical fertilizers and pesticides, and naturally tenuous topsoil conditions have increasingly led the COA to sponsor various initiatives to steer farmers toward more responsible farming practices. As a result, new plant varieties with superior blight-resistance have been introduced and organic fertilizers, non-chemical farming technologies, intercropping and rotation cropping farming approaches, and net-protected green houses have come into general use. The standardization of organic farming methodologies in recent years due to government-instituted certification controls has spurred increased “buy in” from Taiwan’s farming community. Farmers have shown themselves more willing now than ever to invest in order to participate in certified organic farming programs which were launched in 1995 and are overseen by District Agricultural Improvement Stations (under the Taiwan Provincial Department of Agriculture and Forests [TPDAF]).

According to the COA, the total area in Taiwan dedicated to certified organic farming has grown from an initial 160 hectares (1996) to over 1,092 hectares in 2003. Major domestic crops include rice, vegetables, fruits, and tea, as well as certain specialty crops such as beans, sweet corn and herbs.

Area (in hectares) of Registered Organic Farms: by Crop

Union: hectare						
Year	Rice	Vegetables	Fruits	Tea	Other Crops	Total
1996	61.5 1 st crop 125 2 nd crop	26.1	67	5	0	159.6 223.1
1997	238 1 st crop 251 2 nd crop	42.5	100	16	0	396.5 409.5
1998	302 1 st crop 380 2 nd crop	98	156	22	0	579 657
1999	466 1 st crop 468.42 2 nd crop	170.3	157.2	22	5	820.5 822.92
2000	596.27 1 st crop 560.27 2 nd crop	153.76	208.7	36.5	17.3	1012.53 976.53

2001	493.39 1 st crop 487.73 2 nd crop	171.19	159	55.61	18.72	897.91 892.25
2002	609.04 1 st crop 600.23 2 nd crop	174.42	187.87	54.77	27.78	1018.9 1010.16
2003	599.8	228.27	158.82	62.77	42.77	1092.43

Source : Council of Agriculture (COA)

National Organic Standards

The COA announced on 15 September 2003 implementation of major revisions to the National Organic Standards. Livestock and poultry product standards were incorporated into the Standard on 31 October of the same year.

Taiwan's National Organic Standards distinguishes between "organic" and "adjusted organic" categories of crops. "Organic" crops are by definition grown without the use of chemical pesticides, chemical fertilizers or herbicides and must utilize uncontaminated organic materials, apply appropriate crop rotation cycles, and non-chemical techniques to prevent disease and pest damage. Vegetables and rice are eligible only for "organic" (i.e., not "adjusted organic") classification. "Adjusted organic" crop certification, applied primarily to perennial crops such as fruits and tea, allows limited use of chemical fertilizers and pesticides, with application restricted to limited periods of time of the year. As with "organic" products, a zero tolerance policy is also enforced on "adjusted organic" crops for chemical residues.

Certified organic livestock and poultry products must be derived from animals raised on organic feeds. A diet of only dairy products, fishmeal and organic plant feeds is permitted in order to secure organic classification. Organic feeds may not contain artificial promotants, anti-mold inhibitors, artificial pigmenting agents, urea, livestock or poultry by-products, manure wastes, antibiotics, chemicals, improper feed additives, or genetically modified organism (GMO) products. However, certain approved enhanced agents (e.g., probiotics, enzyme products, food processing by-products, fermentation plant products, and feed extenders) can be used as animal feed additives.

Organic Certification

The Taiwan authorities currently accept other country's organic certification labels, requiring no domestic re-certification in order to be marketed and sold as organic in the market. COA is not currently considering developing specific requirements to re-certify imported "certified organic" products. Post will continue to follow this issue and advise industry of any changes.

Between 1997 and 2000, District Agricultural Improvement Stations were responsible for farm and product inspections and the issuance of organic certifications. In 2001, responsibilities devolved to four non-profit private organizations, approved by the COA.

Today these organizations are responsible to promote organic farming, conduct inspections of organic products and organic farmland, issue certificates and manage usage of certified organic food labels. Each of the four organizations uses their own certification marks. These, added to the other “unofficial” organic labels currently circulating in the market, have generally served to confuse consumers regarding how to identify products that are truly “organic”.

To address consumer confusion, the government has announced its intention to consolidate all certified organic labels under one national Organic seal. The results of an Internet ballot held to select the best seal design, announced on 25 September, has yet to result in a formal announcement of a national Organic seal. While announcement is expected in the near future, no date has yet been set. The launch of a unified national Organic seal, combined with implementation of the revised National Organic Standard, is widely expected to go far in resolving consumer confusion and suspicions about organic products grown and marketed in Taiwan.

Import Policies

Taiwan does not apply specific requirements for food products imported as “organic,” and all imported organic foods must follow the same inspection and quarantine rules which apply to their non-organic peers.

Fresh fruits and vegetables are subject to pesticide residue inspection by the Bureau of Animal & Plant Health Inspection & Quarantine (BAPHIQ) at their port of entry and must meet all phytosanitary requirements and pesticide residue (i.e., maximum residue level [MRL]) standards. Meat and fishery products are subject to inspection based on Taiwan’s sanitary requirements. Processed foods must adhere to specific labeling and food additive requirements. In accordance with Taiwan’s Health Food Control Act, any food, including organic, claiming to be a “health food” or to impart health or nutritive benefits is required to secure the approval of the Department of Health’s Food Sanitation Bureau (FSB/DOH) for such claims prior to being sold in the market.

The details and enforcement of import requirements for food products entering Taiwan are modified frequently. Therefore, it is recommended that a U.S. exporter contact its Taiwan importer(s) directly to ensure that product specifications and labels meet current Taiwan requirements.

As with non-organic food products, exporters of branded organic foods are encouraged to register their trademark with Taiwan’s trademark and patent authorities.

SECTION III. CONSUMPTION AND MARKET SECTORS

A. CONSUMPTION

The profile of the organic food consumer in Taiwan is 30 years of age or older, with a college degree, and an above-average salary. This target audience defines

approximately 3 percent of the population (700 thousand consumers), concentrated in the northern half of the island. These consumers are more willing to pay premiums for trustworthy organic food products, which are typically priced 30 ~ 50% above non-organic alternatives. Through the organic sectors' consistent consumer education activities and press reporting, organic foods are no longer treated (as they were initially) as products for people with medical conditions or for strict vegetarians.

B. MARKET SECTORS

Entry Strategy

Taiwan consumers pay close attention to information printed on packaging, particularly ingredients, manufacture and expiration dates. Fears of contamination and pesticides in domestic food products provide U.S. organic food exporters a clear opportunity to leverage the image of the U.S. as a producer of safe and high quality food. Labels clearly stating that American organic foods have passed relevant U.S. quality control and organic regulations will be a big plus in swaying consumers to purchase U.S. organic products.

Market Summary

The Taiwan consumer often has greater confidence in the wholesomeness of imported organic products than that of domestically grown and processed food items. Past imprudent use of agricultural chemicals by local farmers has made Taiwan shoppers highly suspicious of marketing claims and highly sensitive to food quality.

Consumption of organic food products is currently valued at between NT\$600 million and 800 million (US\$17 million to 23 million) a year, with over 60% of products imported, according to a major player in Taiwan's organic market). Domestically grown products include fresh vegetables and small volumes of various fruits. No locally processed organic food products are available in the market.

Sector Trends

Organic food is sold primarily through health food, organic and specialty stores that feature healthy/organic/natural themes. Some supermarkets at the department stores have organic food areas. Domestic organic production comprises mainly rice and vegetables. Organic vegetables can be easily found on specialty store and supermarket organic shelves, while only a small amount of organic rice reaches the general retail market. Most of the organic rice is distributed exclusively through local supermarkets operated by Farmers' Associations and Agricultural Marketing Cooperatives.

Traditional wet markets seldom carry certified organic products. However, some "self-certified" (i.e., questionable) organic vegetables and organic eggs are offered at wet markets.

Packaged and processed organic foods are nearly all imported. Major categories of such include juice, dried fruits, nuts, edible seeds, breakfast cereal, grains, pasta, fruit jams and wheat flour. In order to increase the number of products carried and customers serviced, specialty storeowners also sell food supplements, prepared health foods, dietary foods and vitamins at their stores.

Imported organic fruits have been gaining in popularity among target consumers in Taiwan recently, with chain stores frequently carrying a limited supply of imported, fresh organic fruit. ATO Taipei has responded to several inquiries in recent months from Taiwan importers looking for organic apples suppliers.

Locally produced organic products are sold primarily through the following channels:

1. Direct sales by the farmers themselves through their own business connections.
2. Through supermarkets, hypermarkets, and organic, health food specialty stores.
3. Through membership clubs.
4. In contract department stores at a special organic products counter.
5. Through occasional promotions of local tourism and restaurant events.
6. Through promotions at schools, institutions, civil service offices and large scale private companies.
7. To members of religious groups.
8. Through Farmers' Associations supermarkets (83 outlets).
9. Through Taipei Agricultural Marketing Corporate supermarkets (20 outlets).

PROMOTIONAL ACTIVITIES

Even though the Taiwan government has showed a determination to regulate organic standards by revising outdated national organic standards, Taiwan consumers do not place much trust in the existing system of organic certification due to the plethora of so-called "organic" products now available. The organic concept on Taiwan, while not new, is still relatively not well known among the majority of consumers and producers. Too often consumers hear different definitions of what "organic" means and this has created confusion and uncertainty in the market. Organic production does not necessarily mean that the products are more nutritious than food products from conventional agriculture. However, they do present a choice for products produced through a natural as opposed to a synthetic process.

ATO Taipei plans to conduct educational seminars to showcase and promote recognition of U.S. organic standards in Taiwan, both to create a good working relationship between U.S. and Taiwan agricultural authorities, academia and consumer group and to encourage a productive partnership between the U.S. organic industry, Taiwan importers and Taiwan retailers.

Currently Proposed Activities Include:

1. Organic seminar and product showcase

Audience: organic food importers, retailers, distributors

Objective: Present a definition of organic products proposed by the Organic Trade Association and FAS/USDA, and create better awareness among the Taiwan food industry and consumers regarding U.S. organic production, products, and certifications.

Introduce the U.S. organic industry and certification programs, describe and showcase a sample of the great variety of organic food, beverage and personal use products available for export from the United States.

2. Organic seminar and product showcase

Audience: Taiwan agricultural authorities, academia, research institute and media

Objective: Promote U.S. organic standards, opinions exchange and experiences sharing for organic programs between two countries.

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